PANDION ENERGY

Pandion Energy AS

Interim financial statements (unaudited)

Second quarter 2021

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Content

Introduction

General information

These interim financial statements for Pandion Energy AS (“Pandion Energy“ or “the company“) have been prepared to comply with:

- The revolving exploration finance facility agreement dated 13 November 2017
- The borrowing base facility agreement dated 9 April 2018
- Bond terms for senior unsecured bond dated 3 April 2018

These interim financial statements have not been subject to review or audit by independent auditors.

Accounting principles

These interim financial statements have been prepared on the basis of simplified IFRS pursuant to the Norwegian Accounting Act §3-9 and regulations regarding simplified application of IFRS issued by the Norwegian Ministry of Finance on 3 November 2014, thus the interim financial statements do not include all information required by simplified IFRS and should be read in conjunction with financial statements of the company for the period ending 31 December 2020.

The interim financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the financial position, results of operations and cash flows for the dates and interim periods presented. Interim period results are not necessarily indicative of results of operations or cash flows for an annual period. In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

As described in the company`s annual financial statements for 2020, there have been no significant changes to the accounting policies adopted for financial year 2020 compared to those followed in the financial statements for 2019.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

For further detailed information on accounting principles, please refer to the financial statements for 2020.

Summary of the quarter

Financial review

Total revenues was USD 28.8 (15.7 in Q2 20) million, mainly related to sale of hydrocarbons from the Valhall and Hod fields. The increased revenue was impacted by higher commodity prices with an average realised oil price before hedging of USD 69.4 (USD 33.6 in Q2 2020) per bbl partly offset by lower volume sold (462 kboe in Q2 2021 compared to 593 in Q1 2021) due to lower production.

EBITDAX amounted to USD 21.1 million (3.8 in Q2 2020) with the increase compared to Q2 2020 mainly driven by higher commodity prices and lower operating expenses. Profit from operating activities was USD 13.5 million (-5.7 in Q2 2020). In addition to the increased EBITDAX the increased profit is driven by lower exploration expenses. The reduction in exploration expenses from the comparative period related mainly to less new venture activities (licencing rounds, farm-in activities and digitalisation).

The operating expenses amounted to USD 7.7 (11.9 in Q2 2020) million. The reduction from the comparative period is mainly attributable to reduced volume sold.

Investments in fixed assets during Q2 amounted to USD 21.6 million driven by investments in the Valhall & Hod fields, mainly Hod Development project and drilling of additional infill wells on Flank North.

The company's interest-bearing debt was USD 172.3 million at the end of the second quarter, down from USD 174.6 million at the end of the first quarter of 2021. The decrease is related to payback on the Reserve Based Lending Facility (RBL).

Pandion Energy has a robust and diversified capital structure made up of committed equity and a debt financing pack. USD 190 million has been committed from Kerogen, of which USD109 million has been injected as of 30 June 2021 in addition to injected capital from the Pandion Energy team. The debt financing package includes a Reserve Based Lending Facility of USD 150 million (the "RBL facility"), and a senior Unsecured Bond Loan of NOK 400 million (the "Unsecured Bond). The current borrowing base in the RBL facility is USD 150 million. The company has also extended the Exploration Finance facility ("EFF") of NOK 400 million by one year. The EFF can be drawn until 31.12.2021 with repayment in Q4 2022.

Financial review

The arrangement with negative tax instalment means that the refund of the tax value of losses incurred in 2020 and 2021 will be refunded in advance of the tax assessment on a running basis through the instalment tax regime, and provide the company with a significant liquidity boost and unique investment conditions. During the second quarter of 2021 Pandion Energy received tax refunds of USD 20.0 million.

Hedging

In order to reduce the risk related to oil price fluctuations, the company has established an oil price hedging programme. At the end of June 2021, Pandion Energy had put in place a hedging programme until end of third quarter 2022. The hedging program is based on a combination of put options and collar structures.

At the end of June, 48% of after tax (14% of pre tax) crude oil production volumes has been hedged up to third quarter 2022 at an average floor price of 44.3 USD/bbl (USD 41.5/bbl net of costs). Additional positions may be added to the program going forward, however, the structure, amount and levels of any further hedging will depend on how the market for commodity derivatives develops.

Current hedging positions is sufficient to cover the current hedging requirements in the RBL agreement.

The company has recognised a realised loss from hedging in Q2 2021 presented as other income, the loss amounted to USD 0.2 million.

Operational review

Valhall and Hod fields

Production from the Valhall and Hod fields was 5.0 thousand barrels of oil equivalents per day net to Pandion during second quarter, down 14 percent from the previous quarter, mainly driven by a planned shutdown to perform safety-critical maintenance an to test the emergency shut down system. The scope was delivered according to plan.

The Maersk Invincible drilling rig finalised the campaign to plug and abandon depleted wells at the old drilling platform (DP) in the quarter. The rig then moved to Flank North for drilling of three infill wells, of which two were finalised during the quarter. After finishing the third infill well at Flank North, the rig will move to Hod for drilling of the six wells for the Hod field development.

The Hod field development is progressing as planned with construction of a wellhead platform at the Aker Solutions yard in Verdal. The jacket was safely installed at the field in early July and is ready to receive the topside module later in the third quarter. The offshore work related to tie-in to existing facilities at Valhall and subsea installation campaigns has also been initiated.

The Maersk Reacher rig will arrive Valhall during the third quarter. This will contribute to accelerating the stimulation and intervention activity and bring more wells up to their full production potential.

In the second quarter, the Original Valhall Decommissioning Project (OVD) reached a new milestone when the old Quarters Platform Jacket (QP) was removed. The topside was removed in 2019.

Planning of the Valhall NCP (New Central Platform) project continued in the second quarter. The project will add new slots for further development of the Valhall Area. A concept select decision is planned in the third quarter.

Operational review

Exploration

The drilling of appraisal wells on the Iving oil and gas discovery (PL 820S) has been concluded. Before appraisal wells 25/8-21 S and 25/8-22 S were drilled, the operators`s resource estimate for the discovery was between 2 and 11 million standard cubic metres (Sm3) of recoverable oil equivalent in the Skagerrak formation. The results show that the appraisal wells will lead to a downward adjustment of the resource estimate in the Skagerrak Formation in 25/8-19 S (Iving), but it is still too early to give an updated estimate for the discovery.

The licensees will assess the results in the Skagerrak Formation in combination with other petroleum-bearing levels and discoveries in the area for further follow-up.

Operational review

Covid-19 measures and consequences

Pandion Energy is a non-operator and not directly involved in the execution of offshore operations on a day-to day basis. However, as partner in the Valhall & Hod fields the company is actively in dialogue with the operator to ensure that all necessary steps are taken to protect offshore personnel against the pandemic and ensuring the virus has minimal impact on the operations. To date no virus-related disruptions to the Valhall & Hod production have been reported, and while certain project activities have been affected, the disruptions have been successfully managed to avoid any negative impact on the progress. The operator has established a normalisation plan with three steps towards a state where extraordinary measures are no longer required.

Except for the operations at Valhall & Hod fields, the company was during second quarter involved in other offshore activities by the drilling of appraisal wells in PL 820S. No virus-related disruptions to the appraisal drilling were reported.

Other activities

Pandion Energy will continue to be an active and responsible partner in driving value in high quality assets on the Norwegian Continental Shelf. As part of this, the company actively searches for and evaluates opportunities to make value-accretive investments (e.g. through acquisitions, farm-ins, licencing rounds, swaps or other) and to divest assets to realise value created in its existing portfolio (e.g. through sale, farm-downs, swaps or other).

Responsibility statement

We confirm, to the best of our knowledge, that the interim financial statements for the period from 1 January to 30 June 2021 have been prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act §3-9 and generally accepted accounting practice in Norway and give a true and fair view of the assets, liabilities and financial position and result of Pandion Energy AS. The notes are an integral part of the interim financial statements.

We also confirm, to the best of our knowledge, that the operational and financial review includes a fair presentation of important events that have occurred during the first six months of the financial year and their impact on the financial statements and the company's position, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

Oslo, Norway, 16 August 2021

The Board of Directors and CEO of Pandion Energy AS

Alan John Parsley Chairman of the Board	Jason Aun Minn Cheng Board Member	Jan Christian Ellefsen CEO/ Board Member
Roberta Wong Board Member	Tushar Kumar Board Member	Helge Larssen Nordtorp Board Member

Interim financial statements

Statement of income

30 June 2021

QUARTERLY				YEAR TO DATE		FULL YEAR
Q2 2021	Q2 2020	(USD`000)	Note	2021	2020	2020
29 629	17 186	Revenues	8	60 976	39 374	76 675
0	0	Gains from sale of assets		0	35 951	35 341
(786)	(1 502)	Other income	8	(1 391)	5 940	4 554
28 843	**15 684**	**Total revenues and income**		**59 585**	**81 266**	**116 570**
(7 717)	(11 884)	Operating expenses		(17 512)	(19 097)	(27 436)
(6 705)	(6 943)	Depreciation, amortisation and net impairment losses	1,3	(14 418)	(45 131)	(90 941)
(946)	(2 592)	Exploration expenses		(9 148)	(4 571)	(20 878)
(15 368)	**(21 418)**	**Total expenses**		**(41 078)**	**(68 799)**	**(139 255)**
13 475	**(5 733)**	**Profit from operating activities**		**18 507**	**12 466**	**(22 685)**
(4 074)	(5 273)	Net financial items	7	(9 904)	(11 102)	(16 159)
9 401	**(11 006)**	**Profit before taxes**		**8 603**	**1 365**	**(38 844)**
(5 468)	8 095	Income tax		(4 918)	3 654	29 411
3 933	**(2 911)**	**Net income**		**3 685**	**5 019**	**(9 433)**

Statement of comprehensive income

30 June 2021

QUARTERLY				YEAR TO DATE		FULL YEAR
Q2 2021	**Q2 2020**	(USD`000)	**Note**	**2021**	**2020**	**2020**
3 933	(2 911)	Net income		3 685	5 019	(9 433)
		Items that may be subsequently reclassified to the Statement of income				
(525)	733	Net gain/losses arising from hedges recognised in OCI		(298)	(2 342)	(644)
849	501	Net amount reclassified to profit and loss		1 077	987	603
(71)	(272)	Tax on items recognised over OCI		(171)	298	9
253	963	Other comprehensive income		608	(1 057)	(32)
4 185	**(1 949)**	**Total comprehensive income**		**4 293**	**3 962**	**(9 465)**

Interim financial statements

Statement of financial position

30 June 2021

Assets

(USD`000)	Note	30.06.2021	30.06.2020	31.12.2020
Tax receivables from exploration refund		16 740	9 796	0
Goodwill	2,3	63 138	93 442	63 138
Intangible assets	2,3	71 027	45 050	57 984
Property, plant and equipment	1,3	362 352	325 487	345 298
Prepayments and financial receivables		140	122	140
Right-of-use assets	9	626	873	731
Total non-current assets		**514 023**	**474 770**	**467 291**
Inventories		9 186	3 886	9 376
Trade and other receivables		19 754	8 268	13 805
Financial assets at fair value through profit or loss		933	1 204	2 451
Tax receivable - short term	10	45 323	49 626	56 891
Cash and cash equivalents		25 775	17 317	16 846
Total current assets		**100 972**	**80 301**	**99 369**
Total assets		**614 995**	**555 071**	**566 660**

Statement of financial position

30 June 2021

Equity and liabilities

(USD`000)	Note	30.06.2021	30.06.2020	31.12.2020
Share capital		114 230	113 492	114 230
Other equity		16 357	25 491	12 064
Total equity	4	**130 587**	**138 982**	**126 294**
Deferred tax liability	10	113 847	51 898	73 783
Asset retirement obligations	5	152 439	158 690	160 936
Borrowings	6	133 596	139 046	127 501
Hedging derivatives		8 759	15 871	8 793
Long term lease debt	9	443	708	555
Total non-current liabilities		**409 084**	**366 214**	**371 569**
Asset retirement obligations - short term	5	8 368	14 981	12 737
Trade, other payables and provisions		33 052	19 414	31 024
Borrowings - short term	6	33 042	15 275	24 168
Financial liabilities at fair value through profit or loss		1 647	0	653
Short term lease debt	9	214	204	215
Total current liabilities		**75 324**	**49 874**	**63 798**
Total liabilities		**484 408**	**416 089**	**440 367**
Total equity and liabilities		**614 995**	**555 071**	**566 660**

Statement of cash flows

30 June 2021

(USD`000)	Note	YEAR TO DATE Q2 2021	Q2 2020	FULL YEAR 2020
Income before taxes		8 603	1 365	(38 844)
Depreciation, amortisation and net impairment losses	1,3	14 448	45 178	91 018
Expensed capitalised exploration expenses	2	6 003	(85)	9 574
Accretion of asset removal liability	5,7	3 040	3 125	6 176
(Gains) losses on sales of assets		0	(35 951)	(35 341)
Deferred tax liability on sale of assets		0	0	6 899
(Increase) decrease in value of financial asset at fair value through profit or loss		2 984	(5 940)	(4 554)
(Increase) decrease operational financial asset		(397)	4 142	5 460
Net financial expenses	7	6 864	7 977	9 983
Interest and fees paid		(5 153)	(5 738)	(11 420)
(Increase) decrease in working capital		(5 692)	(14 619)	(17 612)
Income tax received		29 810	0	50 158
Net cash flow from operating activities		**60 509**	**(548)**	**71 498**
Payment for removal and decommissioning of oil fields	5	(15 907)	(3 063)	(16 737)
Capital expenditures and investments in furniture, fixtures and office machines	1	(21)	(15)	(18)
Capital expenditures and investments in oil and gas assets	1	(31 481)	(38 706)	(62 995)
Capital expenditures and investments in exploration and evaluation assets	2	(19 046)	(7 406)	(30 482)
Cash flow from divestments		0	59 377	59 428
Net cash flow from investing activities		**(66 454)**	**10 187**	**(50 805)**
Increase interest bearing obligations, loans and borrowing		22 374	20 000	42 676
Decrease interest bearing obligations, loans and borrowing		(7 500)	(58 879)	(93 818)
Proceeds from capital distribution		0	0	738
Net cash flow from financing activities		**14 874**	**(38 879)**	**(50 404)**
Net change in cash and cash equivalents		8 929	(29 240)	(29 711)
Cash and cash equivalents at the beginning of the period		**16 846**	**46 557**	**46 557**
Cash and cash equivalents at the end of the period		**25 775**	**17 317**	**16 846**

Notes to the interim financial statements

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Note 1

Property, plant and equipment

(USD`000)	Oil and gas assets	Tools and equipment*	Total
Carrying amount at 31 December 2019	**285 441**	**152**	**285 594**
Additions	62 995	18	63 013
Disposals	0	(20)	(20)
Asset removal obligation - change of estimate	10 625	0	10 625
Transfers from intangible assets	15 457	0	15 457
Depreciation	(29 294)	(76)	(29 371)
Carrying amount at 31 December 2020	**345 224**	**74**	**345 298**
Additions	31 481	21	31 501
Depreciation	(14 418)	(29)	(14 448)
Carrying amount at 30 June 2021	**362 287**	**65**	**362 352**
Estimated useful lives (years)	UoP	3-10	

Production plants oil and gas are depreciated according to unit of production method (UoP).

* Depreciation of tools and equipment is allocated to development, operational and exploration activities based on registered time writing.

Note 2
Intangible assets

(USD`000)	Goodwill	Exploration and evaluation assets	Total
Carrying amount at 31 December 2019	**124 785**	**52 583**	**177 368**
Acquisition	0	1 251	1 251
Capitalised licence costs	0	30 217	30 217
Expensed exploration expenditures previously capitalised	0	(9 574)	(9 574)
Impairment	(61 647)	0	(61 647)
Disposals	0	(1 036)	(1 036)
Transfers to tangible assets	0	(15 457)	(15 457)
Carrying amount at 31 December 2020	**63 138**	**57 984**	**121 122**
Acquisition	0	6 926	6 926
Capitalised license costs	0	12 120	12 120
Expensed exploration expenditures previously capitalised	0	(6 003)	(6 003)
Carrying amount at 30 June 2021	**63 138**	**71 027**	**134 165**

The amount of Goodwill entirely relates to the acquisition of interest in the Valhall and Hod oil fields.

Expensed exploration expenditures in 2021 is related to drilling of Eidsvoll exploration well, reported dry in January 2021.

Note 3
Impairments

The remaining goodwill as at 30 June 2021 amounted to USD 63.1 million and consists of technical goodwill related to the requirement to recognise deferred tax for the difference between the assigned fair values and the related tax base by purchase of Valhall & Hod fields. Prior period impairment of goodwill is not subject to reversal.

Technical goodwill is tested for impairment separately for Valhall & Hod fields which gave rise to the technical goodwill. The carrying value of Valhall & Hod fields consists of the carrying values of the oil field assets plus associated technical goodwill. When deferred tax liabilities from the acquisitions decreases as a result of depreciation, more technical goodwill as a result is exposed for impairment.

Impairment tests of individual cash-generating units are performed when impairment triggers are identified and for goodwill impairment is tested annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Following the increased oil price environment during 2021 no impairment indicators have been identified at the end of second quarter 2021 and the company has not recognised any impairment in Q2 2021.

Note 4
Equity and Shareholders

(USD`000)	Share Capital	Other reserves	Retained earnings	Total equity
Shareholders' equity at 31 December 2019	**113 491**	**(3 446)**	**24 975**	**135 021**
Share capital increase	738	0	0	**738**
Net income for the period	0	0	(6 954)	**(6 954)**
Other comprehensive income (loss) for the period	0	(32)	0	**(32)**
Shareholders' equity at 31 December 2020	**114 230**	**(3 478)**	**15 542**	**126 294**
Net income for the period	0	0	3 685	**3 685**
Other comprehensive income (loss) for the period	0	608	0	**608**
Shareholders' equity at 30 June 2021	**114 230**	**(2 870)**	**19 227**	**130 587**

Share capital of NOK 918,578,319.45 comprised 911,921,294 of shares at a nominal value of NOK 1.0073.

Pandion Energy Holding AS owns all 911,921,294 shares as at 30 June 2021. The company is included in the consolidated financial statements of the parent company Pandion Energy Holding AS.

A Subscription and Investment Agreement between Pandion Energy Holding and Kerogen has been executed for USD 190 million in equity, of which USD 109 million has been injected as of 30 June 2021 in addition to capital from the Pandion Energy team.

The capital of USD 190 million is committed to Pandion Energy Holding AS and can be drawn upon approval of the Board of company. Kerogen has further a right, however not an obligation to provide additional funds in an amount up to USD 110 million, resulting in an aggregate funding up to USD 300 million.

Note 5
Asset retirement obligations

(USD`000)	
Asset retirement obligations at 31 December 2019	**173 609**
New or increased provisions	6 486
Asset removal obligation - change of estimate	4 139
Amounts charged against asset retirement obligations	(16 737)
Accretion expenses	6 176
Asset retirement obligations at 31 December 2020	**173 673**
Amounts charged against asset retirement obligations	(15 907)
Accretion expenses	3 040
Asset retirement obligations at 30 June 2021	**160 807**
Non-current portion 30 June 2021	152 439
Current portion 30 June 2021	8 368

The calculations assume an inflation rate of 2.0 per cent and a nominal rate before tax of 4.0 per cent.

Note 6

Borrowings

Revolving exploration loan facility

(USD'000)	Facility currency	Utilised amount	Undrawn facility	Interest	Maturity	Carrying amount
At 30 June 2021	NOK	46 733	0	NIBOR + 1.75 %	Dec 2022	46 478
At 31 December 2020	NOK	24 529	22 350	NIBOR + 1.75 %	Dec 2021	24 168

The total credit limit for the company at 30 June 2021 was TNOK 400 000.

The company signed a Revolving Exploration Finance Facility Agreement ("EFF") on 13 November 2017 of TNOK 400 000. The facility is made available through the banks SEB and BNP Paribas, with SEB as lead manager. The EFF can be drawn until 31.12.2021 with repayment in Q4 2022.

Unsecured bond

(USD'000)	Facility currency	Utilised amount	Interest	Maturity	Carrying amount
At 30 June 2021	NOK	49 566	10.61%	April 2023	45 051
At 31 December 2020	NOK	49 566	10.61%	April 2023	45 077

The bond is an unsecured bond of 400 million NOK and runs from April 2018 to April 2023. Utilised amount in USD reflects the exchange rate at the inception date for the bond. The bond has been swapped into USD using a cross currency swap, removing all foreign exchange risk both on coupons and notional. The interest payments have been fixed using an interest rate swap. The fixed all in rate after the swaps is 10.61%. The bond has similar covenants as the RBL facility.

Note 6

Borrowings cont.

Reserve base lending facility agreement (RBL)

(USD'000)	Facility currency	Utilised amount	Undrawn facility	Interest	Maturity	Carrying amount
At 30 June 2021	USD	76 000	74 000	LIBOR + 3.5%	July 2026	74 110
At 31 December 2020	USD	83 500	66 500	LIBOR + 3.5%	July 2026	81 424

The RBL facility was established in 2018 and is a senior secured seven-year facility. In 2019 the RBL lenders approved to postpone the Final Maturity Date from 9 April 2025 to 1 July 2026. The facility is at USD 150 million with an additional uncommitted accordion option of USD 150 million. The interest rate is from 1-6 months LIBOR plus a margin of 3.5%. In addition, a commitment fee is paid for unused credits.

The financial covenants are as follows:

- Net debt to EBITDAX not to exceed 3.5x
- Corporate sources to corporate uses applying a ratio of 1.1 to 1 for the next 12 months period
- Corporate sources to corporate uses applying a ratio of 1 to 1 for the period up to estimated first oil of any development assets
- Minimum cash balance of 10 million USD
- Exploration spending after tax on a yearly basis restricted to the higher of 10 million USD and 10% of EBITDAX unless such spending are funded by new cash equity or subordinated shareholder loan.

Note 6
Borrowings cont.

Non-current liabilities to related parties

By entering into a subscription agreement with Kerogen Investment no.28 Pandion Energy has agreed to pay a commitment fee as listed below:

(USD`000)	Facility currency	Loan amount
Kerogen Investment no. 28 Limited	USD	1 000

Kerogen Investments no.28 Limited's rights and claims for such Commitment Fee is subordinated to the rights and claims of all other existing creditors of Pandion Energy.

Maturity profile on total borrowings based on contractual undiscounted cash flows

(USD`000)	30.06.2021	31.12.2020
Less than 12 months	33 298	24 529
1 to 5 years	63 001	49 566
Over 5 years	77 000	84 500
Total	**173 299**	**158 595**

Note 7
Financial items

	QUARTERLY		YEAR TO DATE		FULL YEAR
(USD`000)	Q2 2021	Q2 2020	2021	2020	2020
Net foreign exchange gains (losses)	1 212	(676)	624	(1 397)	(970)
Foreign exchange gains/losses on derivative financial instruments	(572)	0	(1 506)	0	2 451
Interest income	2	2	3	66	314
Amortised loan costs	(202)	(196)	(405)	(444)	(988)
Accretion expenses	(1 509)	(1 569)	(3 040)	(3 034)	(6 176)
Interest expenses	(2 832)	(2 855)	(5 299)	(5 983)	(11 057)
Other financial items	(172)	22	(281)	(190)	266
Net financial items	**(4 074)**	**(5 273)**	**(9 904)**	**(11 102)**	**(16 159)**

Note 8

Segment information and disaggregation of revenue

All revenues are generated from activities on the Norwegian continental shelf (NCS), and derives from Oil, Gas and NGL. As a result, Pandion Energy has decided not to include segment information as this would only state the same financials already presented in the income statement and balance sheet.

The company's revenue is disaggregated as follows:

	QUARTERLY		YEAR TO DATE		FULL YEAR
Revenues	**Q2 2021**	**Q2 2020**	**2021**	**2020**	**2020**
(USD`000)					
Oil	25 188	15 119	51 791	33 209	65 312
Gas	2 965	828	5 493	4 601	9 658
NGL	1 476	1 240	3 693	1 563	1 705
Total revenues	**29 629**	**17 186**	**60 976**	**39 374**	**76 675**

Other income	**Q2 2021**	**Q2 2020**	**2021**	**2020**	**2020**
(USD`000)					
Realised gain/(loss) on oil derivates	(223)	3 400	(397)	4 341	4 955
Unrealised gain/(loss) on oil derivates	(563)	(4 902)	(994)	1 599	(401)
Total other income	**(786)**	**(1 502)**	**(1 391)**	**5 940**	**4 554**

Note 9
Leasing and commitments

Pandion Energy has recognised the lease related to office facilities as a lease after IFRS 16. The original contract runs for five years from 2018 and contains a renewal option for another three years. In June 2020 Pandion Energy entered into an additional agreement for extra storage space running for five years. The lease does not contain any restriction on the company's dividend policy or financing.

The company applies exemption for short term leases (12 months or less) and low value leases. Extension options are included when it, based on management's judgement, is reasonably certain to be exercised. The incremental borrowing rate applied in discounting of the nominal lease debt is 7 per cent. Right-of-use assets are depreciated linearly over the lifetime of the lease contract.

Total lease debt at 31.12.2019	**1 253**
(USD`000)	
Remeasurement lease liability	30
New lease debt recognised in the period	12
Derecognition of lease liability	(234)
Lease payments	(383)
Interest expense	63
Currency adjustments	29
Total lease debt 31.12.2020	**770**
Remeasurement lease liability	20
Lease payments	(152)
Interest expense	28
Currency adjustments	(10)
Total lease debt 30.06.2021	**656**

Nominal lease debt maturity break down	**30.06.2021**	**31.12.2020**
(USD `000)		
Within 1 year	246	234
1 to 5 years	431	564
Total	**677**	**798**

Note 9

Leasing and commitments cont.

Pandion Energy is a non-operator and recognises its proportionate share of a lease when Pandion Energy is considered to share the primary responsibility for a licence committed liability. This includes contracts where Pandion has co-signed a lease contract, or contracts for which the operator has been given a legally binding mandate to sign the external lease on behalf of the licence partners. Pandion Energy has assessed the lease contracts in its licences and based on Pandion Energy's judgement no leases have been recognized in the balance sheet as of 31 March 2021.

The company has commitments pertaining to its ownership in partner operated oil and gas fields where the operator has entered into lease agreements for rigs in the licence. For Valhall, the operator has entered into a lease agreement for Maersk Invincible, delivered in May 2017. The contract period is five years, with an additional two years option period.

On PL 820S, the Iving discovery, a lease agreement for a rig has been entered into by the operator on behalf of partners to be used for the appraisal program in 2021. This lease commitment is not included in the below overview.

Commitments partner licenses rigs	**30.06.2021**	**31.12.2020**
(USD '000)		
Within 1 year	7 643	7 384
1 to 5 years	0	3 887
Total	**7 643**	**11 272**

Note 10
Tax

Certain temporary changes in the Norwegian Petroleum Tax Law were enacted on 19 June 2020. These changes included a temporary ruling for depreciation and uplift, whereas all investments incurred for income years 2020 and 2021 including 24 per cent uplift can be deducted from the basis for special tax in the year of investment. These changes also apply for all investments according to Plans for Development and Operation delivered within 31 December 2022 and approved within 31 December 2023. In addition, the tax value of any losses incurred in 2020 and 2021 will be refunded from the state. The tax effect of the temporary changes is included as of 30.06.2021 and contributes to increase in deferred tax liabilities and increase in tax receivable – short term.

Note 11
Contingent liabilities and assets

The company has secondary obligation for removal cost of offshore installations related to 20% share in the divested Duva field. The obligation is limited to approximately USD 5.5 million.

Pandion Energy is further required to participate in the approved work programmes for the licences. The company's operations involve risk of damages, including pollution. The company has insured its pro rata liability on the NCS on a par with other oil companies.

The company was not subject to any legal disputes at 30 June 2021.

Note 12

Subsequent events

The company has evaluated subsequent events through the filing of the quarterly report. There have been no such events requiring recognition or disclosures in the financial statements.

Alternative performance measures

Pandion Energy may disclose alternative performance measures as part of its financial reporting as a supplement to the interim financial statements prepared in accordance with simplified IFRS and believes that the alternative performance measures provide useful supplemental information to stakeholders.

EBITDAX	Earnings before interest, tax, depreciation, amortization, impairment and exploration expenses
Corporate sources	Cash balance, revenues, equity and external funding
Corporate uses	Operating expenditures, capital expenditures, abandonment expenditures, general and administration costs, exploration costs, acquisition costs and financing costs